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November, 1964

56th Annual Convention of the
Alberta Association of Municipal Districts and Counties
Calgary, November 17, 18, 19 and 20

WELCOME

On the first occasion since 1957 the Alberta Association of Municipal Districts and Counties will hold its annual convention in Calgary. The Palliser Hotel will be the location for this 56th annual meeting on November 17 to 20 inclusive.



The Executive has given considerable thought toward arranging an interesting and informative program. Several Departments of the Provincial Government have been invited to discuss mutual problems with the delegate body. Two panels, each composed of capable people, will probe for possible solutions to problems which are current and common to all municipal districts and counties. It is hoped that all municipal councillors and officials will endeavour to attend this convention with a view to making a contribution toward better municipal government in Alberta.

There will be a number of changes in the social program for both men and ladies which we feel will make this an enjoyable occasion for all in attendance.

Make your plans now to be in Calgary, November 17 to 20. Your friends are anxious to see you again.

J.M. McKay, President

... FOR THE SEVENTH STRAIGHT YEAR

WINTER WORKS PLAN BEGINS

Some 180 winter works projects got underway in Alberta municipalities with the opening of the national program on November 1, according to W.D. Isbister, Assistant Chief Municipal Inspector. He said forms had been mailed out early in October and since then applications have been examined and approved by provincial and federal authorities. Approval by both governments is necessary before the 25% and 50% of the labor costs of each project can be paid respectively by the province and the federal treasury.

Mr. Isbister estimated Alberta's share of the 1964-65 program could be in the neighbourhood of \$1,500,000, as compared with \$1,220,000 total share paid by the Province last year. He said the early applications indicated that recreational facilities would be getting considerable attention this year.

Pointing out that the Winter Works "Incentive" Program was begun in 1958 as a temporary measure designed to ease seasonal unemployment, Mr. Isbister said it has met with increasing acceptance over the years. Allowing for some variation from year to year in total spending, he could see no sign of lessening need for the program or of benefits resulting from it. He said the program had encouraged millions of man-days of productive work and so had a "very definite effect" on the unemployment insurance picture.

WELFARE TAKES OVER

TRANSFER YOUNGSTOWN HOME

Change in administration of the Pleasant View Home for Aged Men at Youngstown from the Special Areas Board to the Department of Public Welfare was marked at a banquet held September 25 in the Youngstown Community Hall. The occasion was the annual meeting of the Hanna-Youngstown Branch 18 of the Civil Service (To Page 2)

THIS BUILDING IS NOW . . .



CITY OF WETASKIWIN: Wetaskiwin's new Civic Building was officially opened October 7 by Hon. A.J. Hooke, Minister of Municipal Affairs. Ribbon cutting (Mayor Jack Pike watching, right) followed a noon luncheon and a parade with Mr. Hooke and Hon. R.H. McKinnon, Minister of Education, riding in one of Stan Reynold's vintage automobiles.

The handsome structure resulted from remodelling and enlarging

... OFFICIALLY OPEN



the former Civic Building. Space now totals 21,880 square feet and accommodates civic offices (including school administration offices), the fire hall, the library (moved from old quarters in the health unit building) as well as offices for civil defence and the RCMP.

Total cost of the building was \$223,500 which includes \$14,394 as a winter works grant and \$34,850 which will be forgiven under The Municipal Development Loan Act. o Alberta Government Photos

THE

SECOND

PAGE . . .

THE DEAD

Blow out, you bugles, over the rich Dead!
There's none of these so lonely and poor of old,
But, dying, has made us rarer gifts than gold.
These laid the world away; poured out the red
Sweet wine of youth; gave up the years to be
Of work and joy, and that unhopèd serene,
That men call age; and those who would have been
Their sons, they gave, their immortality.

Blow, bugles, blow! They brought us, for our dearth,
Holiness, lacked so long, and Love, and Pain.
Honour has come back, as a king, to earth,
And paid his subjects with a royal wage;
And Nobleness walks in our ways again;
And we have come into our heritage.

o Rupert Brooke (1887-1915)

OUR CONTINUING EDUCATION

On the beautiful St. Julien Campus at Banff there's a sign reading: "The Banff School of Fine Arts and Centre for Continuing Education".

We were reminded of these words when we received a calendar recently from the University of Alberta's Department of Extension. Consisting of 106 pages, the booklet is called "Continuing Education" and among other things it outlines the broad program of courses offered the people of Alberta by the Extension Department through the University at Edmonton, Calgary and Banff.

Over 10,000 Albertans participate directly in the courses and conferences being offered, according to Duncan Campbell, Director of Extension; with thousands more making use of books in the Extension Library and films available from the Visual Instruction Division. The impact of such a program of "continuing" or adult education upon the people and the Province of Alberta must be nothing short of tremendous.

In the calendar's foreword, Dr. Walter Johns, President of the University, warns that "the notion of terminal education, the limiting of one's learning to the school or university years, is no longer valid." Then he says: "To all adults seeking the personal renewal which continuing education offers . . . I commend the program offered here to the whole Alberta community".

We're almost certain these words will lend new significance to the sign at Banff. They should also remind us that inasmuch as the courses for municipal and school administrators held annually at Banff are parts of the program, our attendance there brings a "personal renewal" which follows such an effort to expand our mental horizons.

This is a fine thing . . . regardless of age.

The formality of adult or continuing education is a fairly recent development. Not so long ago it was pretty common for youngsters to consider their education finished when they passed Grade VIII. For that matter it's still too common . . . and with parents as well as youngsters.

The Banff School of Fine Arts dates from 1930, and while the Department of Extension itself was organized in 1912, some eighteen years later only one short course (and that of a week's duration) was being offered. That was when Senator Donald Cameron took over as Director in 1930.

Then came the depression which according to the Senator in his "Campus in the Clouds" was a time "when the people began to see, in a hesitant and exploratory fashion, the need for some means of continuing their education with regard to the problems of everyday living in such a manner as would not interfere with their primary task of earning a livelihood". Undoubtedly the depression and the war with its accelerating need to learn new skills were major factors in the growth of the so-called adult education movement.

Today, there are said to be over 1,000,000 adult Canadians helping themselves to better living through continuing education. Many of them already hold university degrees. One-quarter of them are between the ages of 41 and 60 years. And many (it says here) are older than that.

We've referred to the induced leisure of the depression as an

accelerator for adult education. In those well-remembered days the purpose of taking courses was to sharpen one's tools in competition for a job. Any job. Currently a more fortunate kind of leisure is focussing attention on the importance of learning. Machines are taking over; there's more leisure to go around. So we take courses to fill our leisure hours with the challenge of learning . . . knowing we have the simple choice of going forward . . . or back.

Speaking of leisure, we say a happy man is one who sets out to cultivate a variety of interests. Deliberately if necessary. A balanced diet of interests is just as essential as a balanced diet of food. There are people who spend too much of their lives watching television, and others who are restless unless they're playing bridge, and still others whose idea of a full life is playing golf or fishing or curling.

Without being critical we suggest a steady diet of any one of these could be deadly. On the other hand, no one with a quota of absorbing interests need fear boredom, loneliness or discontent.

We hope we haven't digressed from our theme. The Extension Department calendar lists no courses on fishing, but it does feature a series of lectures on the management and conservation of wild life and fish. Home gardening is covered, as are animal genetics, ceramics and prospecting. The field of fine arts inspires a dozen courses, and the humanities several more . . . including such topics as "Mores and Morals", "Men, Women and the Law", "Via Existentialism and Possibilism" to name a few.

Continuing education need not be limited to the classroom, but while it may (and probably should) assume a formal discipline, we believe its primary purpose is to stimulate a sense of accomplishment, to produce a challenge, to promote the sheer pleasure of learning, to help satisfy an innate hunger for things of the spirit.

Terminal education, as Dr. Johns points out, is no longer valid. It never was. In implying that one's interest in knowledge has passed or that he is too old to learn, the phrase is reminiscent of what doctors call a terminal illness.

And that, fellow students, really is the end.

TRANSFER YOUNGSTOWN HOME
(From Page 1)

Association
of Alberta.

In a brief address, Henry Kroeker, Superintendent of the Home, thanked the Special Areas Board and the Department of Municipal Affairs for the many courtesies and assistance extended to him and his staff over the years.

Pleasant View Home received its first guest in September, 1947. Originally built in 1920 as a school of agriculture, it was one of five such schools, the others being located at Vermilion, Olds, Gleichen and Claresholm. After many years it was turned over to the Special Areas Board for use as a home for aged men and extensive renovations were made to provide accommodation for 75 guests.

The present change in administration was made last April 1st when the Homes and Institutions Branch of the Department of Public Welfare assumed control. Services provided by the Home have also changed considerably. Though still designed for male residents only, since April 1st it has been restricted to those requiring special care.

THIS MONTH

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MORE ABOUT SITE VALUATION

BY D. A. BANCROFT, SUPERVISOR,

PUBLIC ADMINISTRATION DIVISION
DEPARTMENT OF EXTENSION

● An Address to the 1962 Seminar on Assessment, Sponsored by the Calgary Chapter of the Appraisal Institute of Canada (First of 2 Parts)

Take now the same man or another - some hard-headed business man, who has no theories, but knows how to make money. Say to him: "Here is a little village in ten years it will be a great city - in ten years the railroad will have taken the place of the stage coach, the electric light of the candle; it will abound with all the machinery and improvements that so enormously multiply the effective power of labor. Will, in ten years, interest be any higher?"

He will tell you, "No!"

"Will the wages of common labor be any higher; will it be easier for a man who has nothing but his labor to make an independent living?"

He will tell you, "No; the wages of common labor will not be any higher; on the contrary, all the chances are that they will be lower: it will not be easier for a mere laborer to make an independent living; the chances are that it will be harder."

"What, then, will be higher?"

"Rent; the value of land. Go, get yourself a piece of ground, and hold possession."

And if, under such circumstances you take his advice, you need do nothing more. You may sit down and smoke your pipe; you may lie around like the lazzaroni of Naples or the leperos of Mexico; you may go up in a balloon, or down a hole in the ground; and without doing one stroke of work, without adding one iota to the wealth of the community, in ten years you will be rich! In the new city you may have a luxurious mansion; but among its public buildings will be an almshouse.

("Progress and Poverty" by Henry George)

* * * *

INTRODUCTION:

An evaluation of the single tax and site valuation should properly be made by use of the tax principles on which any tax or composite of taxes would be measured. The ability to pay principle, the benefits principle and such others as may be applicable in measuring a locally assessed, locally levied tax for local expenditures should be studied carefully. However, much of the discussion now heard in support of single taxes bears not on tax equity but on subsidiary effects of taxes in effecting social planning and social improvement so it is my intention to go back over the history of single tax theory, listing the supposed benefits and evaluating them individually before I summarize with a few remarks on tax equity.

The deferral of the equity considerations to the end of this paper should not be regarded as an admission of more prime importance for the other considerations. The equity principles must still be accorded first attention and greatest importance.

THE PHYSIOCRATS:

Probably the earliest recorded advocates of the use of one tax only, and that to be levied against land, were the group of philosophers and scholars whom we now call "the physiocrats." That name derives from the fundamental basis from which this group of thinkers looked upon economic activity. They held that there were "natural" laws which governed and regulated the production, flow and distribution of economic goods and services and the returns from production. In this they attacked the man-made laws which attempted to govern and control economic activity for man's purposes. Much of their most powerful argument was developed in analyzing the effects of taxation, especially the effects of taxes which were levied against trades and industry.

The principal concept upon which they constructed their tax theories was their observation that taxes levied by the authorities, regardless of where or on what person or article or activity, would ultimately have to be borne by the economic surplus which owners of natural resources received. The receipts of labourers and other income earners were just sufficient according to the physiocrats, and other economists of the time, to keep the labourers and capital owners, traders, etc. in business; and any tax which would tend to reduce those incomes would either have to be passed on to some one else or the labour (or capital) would have to be withdrawn from service. The only economic surplus from which taxes could ultimately be paid was the return from land, including returns from agriculture, forest and mineral production.

Thus it was argued that all tax costs would ultimately be borne by land and it was therefore desirable to apply the levy directly on land rather than on other factors.

The man who is generally regarded as the founder of this school of thinkers was the physician and adviser, Francois Quesney, the court physician to Madame de Pompadour and Louis XV of France. He lived from 1694 to 1774.

DAVID RICARDO:

In tracing the development of the theory of land taxes, the next prominent figure is David Ricardo, who lived in the period 1772-1823. He was noted even then for the quality of precise thinking, and his greatest contribution to land theories was his precise analysis of the distribution of returns from production, especially the return to land. His principal work on this subject was his book, *The Principles of Political Economy and Taxation*, published in 1817.

Ricardo is probably best known today for his theory of economic rent or what we now call Ricardian rent. The word "rent" in this theory refers to the earnings of land, not to the payment made by a tenant to an owner of land. This is the same distinction that appraisers make in referring to "economic rent" and "contract rent." This concept of the Ricardian rent now deserves our attention, for it is the fund from which all taxes were supposed to be served.

Ricardo held that the returns to land, which he called rent, were different from the returns to other factors of production because the return to land was not a cost of production, as were the returns to labour or capital, but that the land return was a surplus. It might be said that he discovered the "property residual" technique that appraisers often use in their practical appraising. It was necessary for Ricardo to show that the real surplus, or residue or profit, in any production scheme would derive to the owner of the lands involved in the process and that the amount of the surplus was governed by the location and quality of the land in use. Wages for labour and payment for capital he showed to be the costs, which must be met, but payment for land was not a cost really, it was the residue. The poorest land in use would produce no residue but would just pay the labour and capital demands. Land of any quality superior to the poorest that was in use would recover a residue and that would amount to all the residue of returns over the cost of labour and capital. If the prices of crops rose, the returns to labour and capital would not tend to rise, but the return to land would increase. Similarly, if labour and capital were applied more intensively to a certain parcel of land, their earnings per unit of input would not increase but the return to land would receive all of the increase.

HENRY GEORGE:

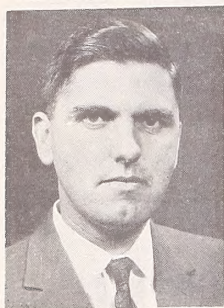
The next figure demanding attention in tracing the development of single tax theories, and probably the most famous for his strong opinions on the subject, is Henry George. The Physiocrats had been French; the classical economists, including Ricardo, were British; Henry George was American. He lived in the period 1839 to 1897. Born in Philadelphia, he spent some of his early years in travelling the seas as a seaman, and he learned the printing trade in the eastern United States. While still young, he went to California and worked with various newspapers, there becoming an editor of one of them.

His special message to the world of that time was (To Page 6)

ABOUT THE AUTHOR . . .

Donald Asa Bancroft was born in Vulcan and attended elementary and secondary school in Calgary. Going on to the University of Alberta he graduated with a B.Sc. in Agriculture in 1952. He was accredited by the Appraisal Institute of Canada in 1958 and obtained his Master's degree in Economics from the University of Alberta in 1961. Working as an assessor with the Municipal District of Stettler from 1952 to 1957 (the last two years for the County) he has been with the Department of Extension, University of Alberta, since 1958.

Don is well and widely known for his work in organizing the Department of Extension training program in Public Administration and is Supervisor of that Division.



AN OUTLINE OF **MUNICIPAL BUDGETING**

BY J. E. MULLOY, INSTRUCTOR,

PUBLIC ADMINISTRATION DIVISION

DEPARTMENT OF EXTENSION

" . . . THE MAIN POINT THAT SHOULD BE NOTED IS THAT IT IS A PLAN"

It has been said that the budget document mirrors the attitudes of council in their capacity as governors. Budgeting therefore as an administrative technique in municipal government must be studied and reviewed. This is the purpose of this article. It attempts to review various facets of budgeting with particular emphasis upon the procedures involved in the preparation of the annual budget by a municipal corporation.

The subject is discussed first by explaining the term budget, second by describing the legal framework insofar as it applies to budgeting in local municipal government, third by explaining the importance of a good accounting system stating that it is a prerequisite to good budgeting, and last by outlining some procedures which should be followed when preparing the annual budget. It is hoped that by setting out these matters the reader will have a better appreciation of the role of budgeting in local government and the importance that must be attached to the budget document.

EXPLAINING THE TERM:

There is always a danger of getting involved in definitions. But it is wise to clarify what is meant by the term budget. The National Committee on Governmental Accounting of the Municipal Finance Officers Association of the United States and Canada has defined a budget in the following terms: "A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year." It is generally agreed that this definition is far too restrictive in that it emphasizes the financial factor over other factors. But rather than seek areas of disagreement, the main point that should be noted is that it is a plan. The things to be done, the services to be provided during the coming year are planned ahead of time. You might call this the physical aspect of budgeting reflected in things to be done and services to be provided. The financial aspect is simply this, reflecting these services in terms of dollars and also indicating the sources of revenues or where the money is going to come from.

Generally the term "Budget" has a much wider connotation. It is conceived as a system which entails the full budgetary cycle of preparation, adoption, and execution. This article will deal mainly with the preparation of the budget.

THE LEGAL BASE:

(a) Background:

The municipalities are creatures of the Province. It is therefore necessary to refer to the various legislative Acts governing the individual municipalities to determine the legal requirements insofar as they relate to budgeting. What have the various Acts to say about budgeting? Rather than deal with each Act governing the various municipal units, for the sake of simplicity, sections of The Municipal District Act will be used as illustrating legal requirements governing all municipalities.

Strangely enough The Municipal District Act does not mention the term budget. The term "Estimates" is used instead. The legal base can now be set out in stages.

(b) Setting the Stage:

Section 330 reads: "All taxes levied under the provisions of this Act, except as otherwise provided, shall be deemed to be due on the first day of January in the year in which they are imposed and shall be payable at the office of the secretary-treasurer of the municipal district."

And then in Section 331 (2) it states: "The council shall make an estimate of the probable revenue of the municipal district for the year, etc."

Here the revenue sources of the M.D. for the coming years are spelt out. Taxes from real property form the main sources of revenue for most municipalities, the other main source is revenue by way of provincial grants and contributions.

Dealing with expenditure estimates, in Section 331 (1) it states: "The council shall, as soon as practicable in each year, prepare a detailed estimate in the prescribed form of the probable expenditure of the municipal district for the year, etc."

(c) Balancing the Budget:

What does it say in regard to the matter of having a balanced

budget?

Section 331 (4) reads: "The council shall, by by-law, authorize the secretary-treasurer to levy upon the assessed value of all assessed property shown on the assessment roll, a tax at such uniform rate on the dollar as the council deems sufficient to produce the amount of the expenditures as are estimated by the council, or as are annually requisitioned upon the council, to produce the sums necessary to meet, etc."

The virtues of having a balanced budget in local government are clear to all. It might be noted that one could expand upon this point at length discussing such matters as realistic estimates, treatment of deficits and surpluses, capital expenditures through general revenues commonly called "pay-as-you-go" for capital items rather than through capital borrowings, and many other pertinent matters.

Let it be simply stated that estimated revenues should equal estimated expenditures to produce a balanced budget.

(d) Procedures:

Next note what happens to these estimates. Section 331 (3) states: "A copy of the estimates shall be incorporated in the minutes of the council at which the estimates are adopted."

Referring to revenues, the Act states, Section 331 (10) (and also Section 376): "The total amount of all rates levied pursuant to this section and collected in any year shall be credited to the general revenue of the municipal district and shall be available for the payment of the general expenditures, etc."

Procedures for handling disbursements are set out in Section 61 where the duties of the secretary-treasurer are outlined. It reads: "(1) shall submit for the consideration of the council all accounts and charges against the municipal district that he receives."

"(2) shall pay all accounts against the municipal district but only when they have been passed by the council and certified by the reeve or other presiding officer."

(e) Reporting:

Finally there are the legal requirements with respect to reporting the financial transactions during and at the end of the year. In setting out the legal requirements, the Act emphasizes that the following things shall be done by the secretary-treasurer. He

1. shall prepare within five days after the end of each month a statement of moneys received by him.
2. shall produce, when called for, all books, vouchers, etc.
3. shall complete and make ready for the auditor, etc.

Now looking briefly at the duties of the auditor, the Act provides that he

1. shall prepare an abstract of the revenue and expenditures
2. shall make a special report in respect of any expenditure that was contrary to law.

And then the secretary-treasurer has certain responsibilities for the auditor's report. He "shall cause a printed copy of the abstract (as prepared by the auditor) to be mailed to every person whose name appears upon the assessment roll."

(f) Summary of the Legal Base:

In summary, the determination of the legal base does the following things:

1. Requires a systematic consideration of expenditure proposals.
2. Requires that authorized expenditures be balanced by revenue or other available resources.
3. Fixes the responsibility of various officers and agencies for the performance of specific aspects of budgeting.
4. Requires suitable accounting for public funds.
5. Requires publication of annual reports of financial transactions.
6. Regulates various aspects of the creation and discharge of public indebtedness.
7. Requires an audit of financial transactions.

A GOOD ACCOUNTING SYSTEM:

An essential element in good budgeting is a good accounting system. Therefore, and at the risk of appearing to digress from the main subject, a few remarks should be made outlining the main features of an accounting system as applied to local government. The system should show that legal provisions have been complied with;

ULYSSES

How dull it is to pause, to make an end,
To rust unburnished, not to shine in use,
As tho' to breathe were life!

. . . and vile it were

For some three suns to store and hoard myself,
And this gay spirit yearning in desire
To follow knowledge like a sinking star
Beyond the utmost bound of human thought.

o Tennyson

accurately record the financial transactions; provide current information to council for management.

(a) Fund Accounting:

The fund system of accounting is used as a technique to assist in guaranteeing that legal requirements have been fulfilled. A fund has been defined in the following terms: "A sum of money or other resources (gross or net) set aside for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. A fund is a distinct financial or fiscal entity."

Therefore the accounting system should be designed for the fund system of accounting. For budgeting purposes, a separate budget should be prepared for each fund.

(b) Classifying Revenues:

The accurate recording of financial transactions must next be considered. In this area, great strides have been made. Basically the key to a good accounting system is a proper classification of accounts. In Canada, the Dominion Bureau of Statistics has prepared The Municipal Finance Reporting Manual which outlines an excellent classification of accounts. Needless to say, the classification may be modified to suit local circumstances.

What are the main features of an accounting classification insofar as they apply to local government? Basically, revenues when received should be classified according to source, i.e. the nature of the base from whence the revenues came. Examples of municipal revenue sources are taxes, licenses and permits, rents, concessions and franchises, fines, interest, etc. The exact titles used depend upon what is authorized or what is accepted as common practice, and of course on the need to give adequate disclosure.

(c) Classifying Expenditures:

Expenditures are usually classified into any of these categories, by function, by activity, and by object.

(1) By Function: Classification of expenditure by function reflects the general purpose served by the expenditure, such as General Government, Protection to Persons and Property, Sanitation and Waste Removal, etc. It facilitates statistical comparisons as all municipalities provide many common functions even though their administrative organizations vary.

(2) By Activity: Classification of expenditures by activity relates to the specific work carried out to accomplish a function. As an illustration, sanitation and waste removal is a function composed of several activities such as street cleaning, dust prevention, garbage collection, waste removal, etc. each of which is a specific activity. A classification by activity facilitates comparisons for budget-making. It also makes for easier control because for most activities statistical information can be accumulated which enables comparisons to be made and in some instances lends itself to the use of cost accounting.

(3) By Object: Expenditures may be classified according to object, that is according to the articles purchased or by services rendered. Such a classification is very useful in preparing budgetary estimates of expenditures because each activity must be analyzed in terms of objects of expenditures in order to determine reasonable estimates.

The smaller municipal units maintain a classification on the basis of activity and of object. This type of historical information together with statistical information, can be used as a most valuable guide in setting up budget estimates. Having historical figures, compiled in a useful and proper manner, is basic then to good budgeting.

(d) Accrual Basis Versus Cash Basis of Accounting:

Finally, and at the risk of being technical, the use of the accrual system of accounting over the cash basis of accounting is to be preferred. What exactly is the difference between the two bases? These bases have been defined in the following terms:

(1) The Accrual Basis: The basis of accounting under which revenues are recorded when earned or when levies are made, and expenditures are recorded as soon as they result in liabilities for benefits received, notwithstanding that the receipt of the revenue or payment of the expenditure may take place in whole, or in part in another accounting period.

(2) The Cash Basis: The system of accounting under which revenues are accounted for only when received in cash, and expenditures are accounted for only when paid.

The D.B.S. Manual has recommended the adoption of the accrual system and it is for the most part being followed. Surprisingly this concept or suggestion has recently come under criticism.

(3) A Middle Position: Practitioners in the field of local government accounting have been recently advocating a modification of these two bases. This new basis is labelled a "modified accrual" basis of accounting.

EXTRACTS OF INTEREST:

In a recent publication entitled "Operating Budget Manual" published by the Municipal Finance Officers Association, the following extracts may be of interest on this point (pages 314-315):

"For many years a number of the outstanding students of public finance recommended that revenues be budgeted and handled on an accrual basis. Under this system, a tax levied for any year was considered as a revenue with which to balance the authorized expenditures and commitments, even though it was known that a substantial portion of the taxes levied would not be collected until after the close of the budget year -- and in some instances, e.g., the property taxes, full collection of the levy would not be realized for several years.

"This system of budgeting of revenues had the advantage of making each year stand on its own from an accounting point of view. When used, this worked fairly well during the first three decades of the century. However, with the onslaught of the depression, municipalities found that huge delinquencies piled up especially in the property tax field.

"These delinquencies made it possible for local governments to show "balanced" budgets when receivables were taken into consideration. Yet as these delinquencies mounted the cash position of the municipality deteriorated and banking institutions became less and less willing to advance the cash necessary to enable local governments to meet their current commitments for personal services, debt service, and other expenses.

"As a result, there has been a gradual shift of local governments away from the accrual system of accounting for revenues to a system based on the probable cash receipts for the budget year.

"It is believed that the cash basis should be used almost uniformly in the budgeting and accounting for revenues.

"It is noted that the term used is 'almost uniformly.'

"Viewed both from the weight of prevailing experience and from what appears to be the practical advantages of the arrangement, it is suggested that wherever the law permits, the modified accrual basis for accounting should be adopted.

"The adoption of the modified accrual basis does not mean that control accounts will be abandoned with respect to revenues that have been booked for each year. Nor does it mean that statistical information concerning the year in which revenue has been "earned" will necessarily be discontinued.

"On the other hand, a modified accrual basis tends to cause a municipality to consider the realities of the availability of cash for the budget year in relation to the commitments and expenditures which it proposes to incur for the budget year.

"In the long run, the modified accrual system tends to force a more realistic adjustment arising from adverse economic conditions than does a full accrual system."

In actual practice here in Alberta, the main revenue sources are treated on an accrual basis whereas the lesser items of revenue are treated on a cash basis. It is assumed throughout this article that the accrual system of accounting is used. There is general agreement, and this should be emphasized, that the accrual system of accounting be used in accounting for expenditures.

Finally, there are other accounting techniques available for budgetary control purposes, such as accounting for allotments and encumbrances. Their application is rather technical and perhaps beyond the scope of this article. Accordingly they will not be discussed.

THE ACTUAL WORK:

The amount of work involved in preparing a budget must necessarily be (To Page 7)

AS YOU MAY KNOW . . .

Joseph Edward Mulloy, Assistant Professor with the Public Administration Division of the Department of Extension, came to Canada from his native Ireland in 1953. Born at Westport, County Mayo, he is a graduate of the University of Dublin and holds degrees in Accounting and Commerce.

Prior to joining the University staff here, Mr. Mulloy worked with firms of accountants and auditors, first in Montreal and later in Calgary. He has held his present position since 1962.

MORE ABOUT SITE TAXATION (From Page 3)

his idea that the extremes of poverty and great wealth, which were so prevalent in the history of California especially, resulted from the existing conditions of land ownership and speculation in land.* Reading widely in the writings of Ricardo and the classical economists, he fixed on their theories of rent and constructed a new philosophical and political movement which, according to him and his followers, could solve the terrible inequalities in the positions of men in the contemporary society. He attacked private ownership of land showing that the cause of poverty was inherent in any system where most of the land was held by a few people and most of the people held no land at all. What lands were used generated great wealth for the few owners, out of the efforts of the many who received only wages for their labour and none of the profits from production. Speculation in land was an even greater casual factor in the spread between economic conditions of the rich and poor; and even less justifiable in viewing the rights of all the people. George's single tax was primarily a method for destroying the speculative motives for holding ownership of land, especially of idle or vacant land; and secondarily a method for destroying all motives for holding land privately. By transforming all existing taxes into a land tax he felt that it would no longer be prudent for anyone to speculate in land. He obviously counted on a good assessment of lands at actual values to serve in appropriating the equity rights of land ownership for the public authority.

Henry George published his most famous book, *Progress and Poverty*, in 1879 but he produced many other articles and books treating the subject of land ownership and land taxes in Ireland, Australia and New Zealand as well as in the United States. His teachings generated a world-wide movement which swept even Alberta in the period 1839 to 1917. A Single Tax League still operates throughout the world. It has supporters in almost every part of modern western society.

In the purest form, the single tax as advocated by Henry George would be raised to take all of the income of land, leaving none to the legal owners. Furthermore, he would discontinue all other forms of taxation at all levels of government so that all levels would have to share in the proceeds of the rents or taxes from land.

REITERATION OF CLAIMS FOR SINGLE TAX:

At this point it seems proper to reiterate the arguments in favour of the single tax before setting out the arguments against the theory and the practice of a single tax on land exclusively. To the proponents of the single tax it is felt to be both good and good for you. It provides a logical and adequate source of tax revenues and it has the effect of performing many beneficial social adjustments in the process.

The single tax on land if exploited to the limit would place practically all lands of any consequential value in the hands of the public authority and all the earnings of land would then be available for public needs.

Secondly, the single tax would in theory have taken only the so-called unearned returns of the owners of land. Such returns were regarded as unearned because the land owner apparently had to expend no effort at all to get possession of the stream of economic rents arising from land. Henry George is often remembered for his advice to any young man who wished to accumulate a fortune, to invest in land and then no matter what little work he did, where he went or how he acted, the investment would grow and multiply, through value appreciation, and in time he was certain to have his fortune. The fortune would be created by the demands of consumers for the produce of the land and the efforts of workers in utilizing the productive qualities of the land. These unearned returns, he said, did not rightfully belong to the fortunate investor, but rather to the workers and consumers who contributed to the increase in value of the land. His single tax would have taken those rights from the private owner and returned them to the general public entirely.

Thirdly, the extreme tax burden placed by the taxing authority on lands would ensure that lands would not be kept idle nor remain vacant for long if there was any use to which they might be put or for which they might be improved. This effect, according to Henry George and his followers, would enable any willing worker to find scope for his employment and to receive the fair returns for his labour that were not attainable where lands were held by private owners, often in idle state and for merely speculative purposes.

Where improvements such as construction of buildings or other works were warranted, they would supposedly be made either by the public authority or by an enterpriser under a lease contract arrangement.

Fourthly, the heavy tax on lands, which would be particularly onerous in respect to underdeveloped and blighted areas would con-

tribute to their proper maximum development and renewal. This effect is being given much publicity in recent times by those who would use the taxation process in the movement against slum developments and in promotion of "urban renewals." Some almost fantastic claims of social improvement arising from the manipulation of tax levies are made in this respect. Henry George himself used a highly emotional style in his writings to describe the evils of the things he hoped to destroy and the social benefits to be obtained from his single tax.

I will limit the discussion now to those four claims for the benefits of single tax. Other claims are made, of course, but these four seem to be the principals and deserve most immediate attention.

PUBLIC VS. PRIVATE RIGHTS IN LAND:

The advocates of single tax would have the society appropriate all lands, or at least the equity rights in all lands if not the legal rights, from their present owners. This capital confiscation would affect only land owners and not the owners of other capital accumulations. Somehow land is supposed to be peculiarly associated with a public right more than any other kind of wealth. Private rights in land are discounted to almost nil.

This claim seems to lie out of focus in Alberta, because in Alberta the public rights were recognized at an early time and are embodied deeply in our whole body law. The reservation of roads and paths, water courses and bodies of water as the public domain, and the separation of surface and subsurface rights at an early time served to protect the public against undue privilege or power being appropriated by private owners. The wide distribution of land ownership encouraged since homestead days among a large proportion of the population and the relative ease of acquiring land and the security of its possession provided by our system of titles also protect against the most serious growths of privilege for the wealthiest group.

The public in general has not suffered from any concentration of land ownership in the hands of a few, but has participated widely in the ownership of lands and in the benefits accruing with ownership.

Furthermore, even if there was good reason for taking all of the economic rent of land into the public coffers for the maintenance of public services, it is doubtful that the yield of revenue could amount to more than three times the revenue now obtained through the levy of property taxes; and the level of current expenditures by all levels of government in Canada is more like six to eight times the current yield of property taxes in Canada.

I cannot seriously entertain the notion that all land in Alberta should be confiscated by any public authority or that any substantial number of citizens would support such a change.

UNEARNED GAINS AND SURPLUSES:

The windfall gains in capital values of lands held by private individuals are another prime target for complaints of injustice by the single tax advocates. Not only the unearned increments but the rents accruing to the owner are also regarded as unearned and therefore unjustly appropriated by private individuals. This whole concept of earned and unearned rewards was rather thoroughly analyzed in the last century by various economists. Karl Marx paid particular attention to it and resolved the question to his satisfaction by holding labour as the only earning activity and defining "socially desirable labour" as the only contributor or generator of wealth. The modern concept in the free world holds that labour is not the only generator, but that investment of savings, talents, and acceptance of responsibility are as necessary and as worthy of earnings as is labouring effort. In regard to land, we have learned to depend largely on the owners of land to apply it and develop it and to conserve it in the most economic way in producing for the needs of society, and thereby earning the rewards of their efforts.

Nor is the so-called unearned surplus which is economic rent of land so peculiar to land either. Economists now speak of quasi rents which are paid to individuals other than land owners for certain special attributes possessed by them. Rent as an excess over (To Page 8)

WARNING of OPTIMISM

Dr. Trueman (Secretary of the Canadian Freedom from Hunger Committee) warns that we must not allow our attention to what is going on in the major part of the world, affecting two-thirds of the world's population to be distracted by the banging of fists on conference tables, the blast of rockets from launching pads, and the building of walls dividing nations. "What I hear," he says, "is the babble of millions of children's voices in schools where no schools previously existed; the lapping of water in new irrigation canals; the sound of millions of better ploughs moving through the good earth and the lowing of healthier cattle on a thousand hills."

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sarily depend upon the size of the municipality. Therefore the notion of indicating or prescribing set procedures must be resisted. Rather some principles must be enunciated. It rests with the individual responsible for the preparation of the budget to outline detailed procedures.

The following points should be noted:

1. One person must be delegated responsibility for preparing the budget.
2. A calendar should be prepared setting out dates when certain information must be available.
3. Clear and detailed instructions should be issued to various departmental heads, indicating the manner in which the information should be submitted.
4. Standard forms should for the most part be used, so that when all the reports are completed and returned, information can be easily accumulated and summarized.
5. A budget document should be prepared. It should contain a summary sheet giving a brief review of the prepared budget. Such detail as may be necessary for supplementing the information contained in the summary should also be included.

Some of these points must be examined a little more closely:

Delegating Responsibility:

Authority to prepare budget estimates lies with council. In most municipalities the reeve or mayor is the chief executive officer. Therefore the responsibility rests primarily with him. This duty is usually delegated to the secretary-treasurer. Of course in the larger municipal units, there may be a special budget officer. It will be his special duty to prepare a budget. But note the authority he acquires comes from council and on this basis he can command the other various departmental heads and municipal employees for their co-operation. So number one then is a setting out of a clear responsibility and an authority for one person to assume the task of preparing the budget.

Budget Calendar:

One of the most important elements in the budget process is proper timing of the various steps in the procedure. Since the budget is a plan based on estimates, it is essential that sufficient time be allowed for the preparation of careful estimates. The following steps should be set out and deadlines set in the calendar: (a) distribution of instructions and forms to departmental heads, these forms to be used in preparing expenditure estimates. More will be mentioned on forms later. (b) preparation of revenue estimates; (c) return of completed budget request forms; (d) review of estimates, discussions with departmental heads, revisions to estimates, etc; (e) review of the budget estimates with the chief executive officer (or finance committee), finalizing the estimates, and so forth; (f) submission of budget document to council; (g) final approval by council.

Instructions and Forms:

The person responsible for the preparation of the budget (in most instances this will be the secretary-treasurer) must decide the form in which he wants the information made available to him. This involves the preparation of forms which will be distributed to the various departmental heads together with clear instructions outlining how the forms are to be completed. For readers who want further information about the actual layout of the various forms commonly used, they should refer to the many standard textbooks on governmental administration.

ESTIMATING EXPENDITURES:

For simplicity and ease in understanding departmental expenditure estimates, it is advisable to have one set of forms for normal expenditures and another set for improved or additional services.

Dealing with normal expenditures, the preparation of estimates is facilitated by having a good accounting system. The virtues of a good accounting system have already been discussed. In preparing budget estimates, its real worth comes to light. As previously explained, some ledgers are arranged to show the total cost of various activities. Sub-accounts in the ledgers will contain a detailed analysis by objects of expenditure which go to make the total of activity expenditures. The following categories are most commonly used for classifying items by object:

1. Personal services: Regular salaries and wages; Temporary salaries and wages; Other personal services.
2. Contractual services: Heat, light and power; Postage; Telephone and telegraph; Travelling; Printing, binding and advertising; Repairs to buildings and equipment; Other contractual services.
3. Materials and supplies: Fuel; Office supplies; Construction materials; Parts.

SECRETARY'S CALENDAR

FOR DECEMBER



Municipal District Act

Within 5 days after the end of each month the secretary-treasurer shall prepare a statement of monies received and their disposition, submit to council at next meeting and enter a copy in the minutes. Sec. 61(v).

Dec. 1 - Final installment of Hospitalization Benefits Plan requisition due. Sec. 50, Alberta Hospitals Act.

Dec. 1 - Final installment of School Foundation Program Fund requisition due. Sec. 304a, School Act.

Dec. 5 - Election day is the fourth Saturday following nomination day. Sec. 121. Returning officer shall sum up results of vote on day and place appointed. Sec. 174. Returning officer shall deliver election materials to the secretary-treasurer. Sec. 178. Secretary-treasurer shall retain for two months and then destroy certain election material. Sec's. 179, 182 and 183.

Recount must be requested within 14 days after ballot papers are received by the secretary-treasurer. Sec. 184.

Dec. 15 - Final quarterly installment of school district or division requisition due. Sec. 338.

Dec. 31 - Charges for destruction of pests not paid before this date shall be added to the taxes on land. Sec. 278.

Dec. 31 - Prior to this date council shall provide for holding an annual meeting on the first Saturday in March. Sec. 96(6).

Note: Statutory or first meeting of council will be held on Jan. 4 as Jan. 3rd falls on a Sunday. Sec. 39 and 5(3).

Town and Village Act

15th - Secretary-treasurer shall prepare a statement of monies received and their disposition, submit to council at next meeting and enter a copy in the minutes. Sec. 67(r).

Dec. 1 - Final installment of Hospitalization Benefits Plan requisition due. Sec. 50, Alberta Hospitals Act.

Dec. 1 - Final installment of School Foundation Program Fund requisition due. Sec. 304a, School Act.

Dec. 15 - Final quarterly installment of school district or division requisition due. Sec. 355.

Dec. 31 - Financial year ends. Sec. 77.

Note: Census information in regard to the Municipalities Assistance Act Grant must now be submitted before January 25.

Assessment Act, 1960

Jan. 1 - In the case of an annual assessment, notice of preparation of roll shall be posted and published not later than Jan. 1st in the year following the year in which the assessments were made. Sec. 30.

Jan. 1 - Secretary-treasurer shall mail assessment slips not later than Jan. 1st in the year following the year in which the assessments were made. Sec. 28.

Tax Recovery Act

Dec. 31 - Taxes are deemed to be in arrears if unpaid after this date, unless later date lawfully fixed for payment. Sec. 3(9) and 4(4). E.J.B.

The forms covering normal expenditures given to the departmental heads will show the objectives of expenditures (as classified in the ledger). Comparative figures for previous years should also be inserted by the accounting department, the figures having been extracted from the general ledger or expense ledger. Estimates for the coming year can be easily prepared for those normal expenditures having regard of course to such things as price increases, natural growth, etc. Preparing estimates in this fashion is known as line-item budgeting.

Statistical information, relating to each activity, should also be attached to these elements. These statistics can be most useful in explaining the expenditure estimates. Figures showing miles of road to be gravelled, miles of sewer requiring maintenance, and so forth, can offer ready explanations of variations in the estimates from previous years' actual figures.

Now if the departmental head feels that services should be improved or additional activities undertaken, then the estimated additional expenditures should be set out on separate forms clearly indicating the additional nature of the expenditures. Note that a decision on improvement in standards of services is a decision of the legislative body and not the departmental head. (To Page 8)

LONG IN THE SERVICE

Thirty-six years of unbroken service in the municipal field drew to a close on August 26 when Charles Wilbraham retired (on his birthday) as Secretary-Treasurer of the Municipal District of Wainwright.

Charlie's long municipal career began on November 1, 1928, with his appointment as Acting Secretary-treasurer, Municipal District of Battle River No. 423, as well as Secretary-Treasurer of the Village of Irma. These two positions were not enough, however, because he was also appointed to act in the same capacity for the Irma School Division. The combining of all these positions could have influenced Charlie's attitude towards the county system of government, because he has been a staunch advocate of the system ever since it was first broached in 1950.



Mr. Wilbraham's next change came in April, 1932, when he was appointed Secretary-Treasurer of M.D. Battle River No. 423. This was amalgamated with other

municipal districts in March of 1942 to form the M.D. of Wainwright No. 61, one of the first five enlarged municipal districts to come into being in Alberta. Charlie was Assistant Secretary-Treasurer after the amalgamation, serving in this capacity until September, 1945, when he assumed the senior position.

Mr. Wilbraham was born August 26, 1897, at Cheltenham, Gloucestershire. Coming to Edmonton with his parents in 1911, he attended Norwood School, later served with the C.E.F. until 1919 and for the next four years worked as a telegraph operator on the Grand Trunk Pacific and the Canadian National Railways.

In October, 1924, he married Emily Brown of London, England, and together they farmed in the Irma district until 1928. Their two children are Mrs. R.E. Ewing of Calgary; and Robert Wilbraham, now an official with Calgary Power Ltd.

During his early days in Wainwright, Mr. Wilbraham was active in the Sea Cadet movement and was largely instrumental in forming a corps there. He has been a Police Magistrate since 1951 and is Co-ordinator of the Emergency Measures Organization in his community. An honorary member of the Officers' Mess at Camp Wainwright, he is also a member of the Canadian Legion. He is Past Master of Gratton Lodge #44 A.F. & A.M. and a member of Edmonton Valley A. & A. Scottish Rite.

Mr. Wilbraham was active in planning and finalizing Battle River Lodge as well as acting as secretary in the development of Wainwright-Provost Auxiliary Hospital. He plans to remain with the M.D. in an advisory capacity until the end of the year. After that, he will continue to live in Wainwright where he is looking forward to a stint of writing, presumably at shorter hours than the 9 a.m. to 6 p.m. to which he has been so long accustomed.

MORE ABOUT SITE TAXATION

(From Page 6)

cost of production, or cost of maintaining the essential factors of production in service, it also found where capital goods or special talents are found to be scarce. In 1948-55 when oil exploration was developing at a rapid pace in Alberta, we had drilling rigs earning as much as \$15 per foot of hole drilled. We learn now that they would in slacker times accept less than \$3 per foot and could still pay for essential labour, interest and management charges. The difference of \$12 per foot was obviously excess over the essential costs, and as such may be regarded as a quasi rent. Artists, writers, skilled technicians, managers and many others are able to sell their services at prices far in excess of the minimum rate of pay which would keep them in service. An entertainer who receives an income of half a million dollars a year would most likely do the same things, performing in the same way, for an income of much less. The excess, then, is quasi rent. These quasi rents appear to be just as justifiably subject to special levies as the rent on land; and therefore, any attempt to levy against land rents exclusively, and at the same time relieving the general public (a large part of which is receiving quasi rents from special talents or other good fortunes) of the generally shared levies on improvements, businesses, sales and incomes would be a travesty of justice, contrary to the express aims of the single tax.

TOWARD HIGHEST AND BEST USE:

(Pick Up Next Issue)

The third claim I would scrutinize is that which holds that a single tax would force landowners to develop their lands for the highest and best use and to use them for the maximum production possible.

AN OUTLINE OF MUNICIPAL BUDGETING

(From Page 7)

ESTIMATING REVENUES:

It has been stated that revenues should be classified by source. The main revenue source available to municipalities in Alberta is taxation of real property. Accordingly assessment figures must be made available to the secretary-treasurer so that he can accurately estimate the taxes receivable from this source. The other sources, such as governmental grants, rents, franchises, must be estimated in the light of legislative changes by the provincial government and on past experience. There must also be an awareness of economic changes that may have taken place during the year within the municipality and the possible effect of these changes on the revenue sources.

These estimates of expenditures by activities can be summarized by function or by department depending on the organizational set-up. Perhaps a brief narrative description outlining the activities of the department might be appropriate in submitting the estimates, and a justification of the department estimates. This procedure is carried out by all departments.

Eventually these estimates (preliminary) are discussed and reviewed by the secretary-treasurer and the chief executive officer. They may be revised, they may not. But this review and adjusting must be completed before the final budget document goes before council.

Before leaving this section, the value and importance of preparing estimates should be pointed out. The notion that by taking last year's figures, adding 5% to get this year's estimates has long gone out of date. If it is accepted that the same service is going to be provided this year, it is a good time to question how the service shall be provided. And this may call for research. For instance, in the matter of gravelling, at some stage council must ask whether they will operate their own gravel pit or buy gravel on a sub-contract basis. Obviously, if they decide to operate their own gravel pit, then this policy is firmly committed for many years to come and will affect future budgets. It can be seen then that the preparation of budget estimates can be a time of great soul-searching for it focuses attention on every activity of the municipality. This focusing on activities need not necessarily take place every year but certainly it is wise for a council to commit itself to a review of all municipal operations, and that this review be done in some systematic fashion, e.g. rotating basis. Clearly, to review every activity in detail every year would be an impossible task.

THE BUDGET DOCUMENT:

The purpose of the budget document is to present to the legislative body and the public a comprehensive picture of proposed operations for the budget.

Here again many of the textbooks on the subject go into great detail on this matter. It seems to be generally agreed that a budget message from the major or chief executive officer should preface the budget document. It should highlight in narrative form the major elements of the budget, indicate what the budget hopes to achieve, explain the financial aspects, the effect on the tax levy, changes in service, and so forth.

This should be followed by summary schedules. These summary schedules should all be prepared on a comparative basis. In most Alberta municipalities, this will simply involve a summary of the general operations (general revenue fund). If there are other funds, similar information should be provided.

Now some additional information, apart from general revenue estimates of revenues and expenditures should also be included in the budget document because such information is pertinent to the life and operations of the municipality. Some of the following items might be included: comparative statement of assessed valuations, mill rates for a number of years, population, total debt, debt limit (if applicable), etc.

With this information, council can intelligently review the budget and thereby facilitate its approval.

CONCLUSION:

The foregoing attempts to set the stage for a proper understanding of the subject by outlining the legal base and by a full explanation of the accounting system because both items are an essential to good budgeting. It has not attempted to set out a definite procedure which must be followed but rather explained the elements essential to good budgeting. The article confines itself to the area of budget preparation and made no attempt to discuss how the budget is implemented or the basis of reporting used, all necessary requisites to good budgeting. It is felt that with a proper understanding of the background, the individual responsible for the preparation of the budget can apply these budgeting principles to local circumstances and produce a budget document worthy of his finest efforts.